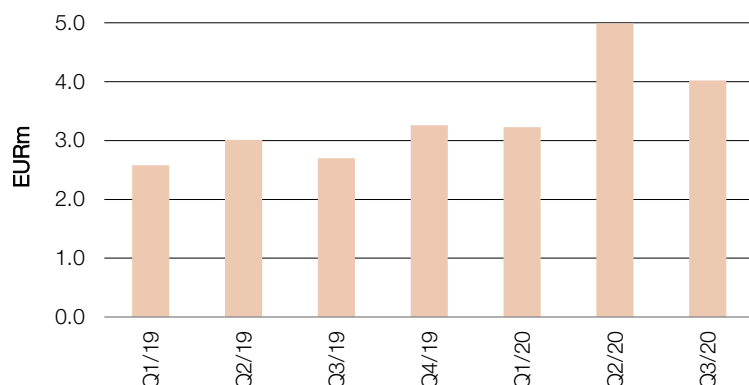


MDARA: Q3 2020 Revenue Update

Strong sales growth continued, up 50% y-o-y in Q3

MADARA Cosmetics AS (hereafter 'MADARA' or the 'Company'), a leading Latvian producer of natural cosmetics and beauty products, announced that its Q3 2020 revenues increased nearly 50% y-o-y to EUR 4.02m. As the Company is listed on the alternative market, Nasdaq Baltic First North, MADARA publishes its full financial statements semi-annually. The latest quarterly figures bring the total for the first nine months of 2020 to EUR 12.24m, corresponding to a solid 48% y-o-y expansion in sales. Although the Company has maintained strong sales growth, we should note that MADARA seems to experience somewhat high quarterly volatility in its revenues in comparison with the previous year. Following a 25% y-o-y increase in sales in Q1 this year to EUR 3.2m, the top-line figure expanded sharply by 66% y-o-y in Q2 2020, to reach EUR 5.0m, presenting a new historic high. Considering the Q3 2020 number, following a 55% q-o-q rise recorded in Q2 2020, the Company's sales declined nearly 20% q-o-q in Q3 this year. Nonetheless, EUR 4.0m of quarterly sales is an impressive figure and indicates a successful continuation of the Company's long-term strategy and product developments.

MADARA's Quarterly Sales



Source: MADARA

Earlier, when explaining its excellent results for H1 2020, the management referred to three main aspects, including a strong expansion of e-commerce channels, growing network of resellers in Germany and France, as well as a successful launch of some new products. In the latest Q3 sales comments, the Company also mentions that the development of several new products was finalised in the last quarter, including the new lipstick

Key Numbers (EURm)	2017	2018	2019	2020E*	2021E*	2022E*
Sales (EURm)	7.4	9.5	11.5	13.5	15.7	18.0
Sales growth (%)	26.3	28.7	21.2	16.7	16.8	14.4
Net profit (EURm)	1.2	1.5	1.6	1.7	2.0	2.4
EPS (EUR)	0.33	0.40	0.42	0.46	0.53	0.63
P/E (x)	22.5	19.6	18.8	29.4	25.6	21.4
Payout per share (EUR)*	0.05	0.09	0.12	0.15	0.18	0.26
Payout yield (%)	0.7	1.1	1.5	1.1	1.4	2.0
P/B (x)	3.9	3.5	3.1	4.7	4.2	3.8
EV/Sales (x)	3.2	2.7	2.3	3.5	3.0	2.6
EV/EBITDA (x)	13.5	13.0	12.0	18.9	15.9	13.6
EV/EBIT (x)	17.7	17.6	17.8	28.1	22.5	18.4
ROE (%)	24.6	19.3	17.4	17.0	17.4	18.7

Source: MDARA, LHV *2020E-2022E multiples are based on the share price 9th Nov 2020) of EUR 13.50 per share *Payout per share include dividends and share capital reduction.

Company Profile

Listing Market:	First North Baltic Share List
Bloomberg Ticker:	MDARA LR
ISIN:	LV0000101624
Industry:	Consumer Goods
Sector:	Personal & Household Goods
No. of Employees:	148
Website:	www.madaracosmetics.com

Share Data, as of 9th Nov 2020

Current Share Price (EUR):	13.50
Fair Value Range (FVR), EUR:	8.60-9.40
Downside, % (to mid-point of FVR):	33.33
52-week High/Low (EUR):	14.40/6.50
3m Avg. Daily Volume (th):	0.52
Market Cap (EURm):	50.56
Ordinary Shares (m):	3.75

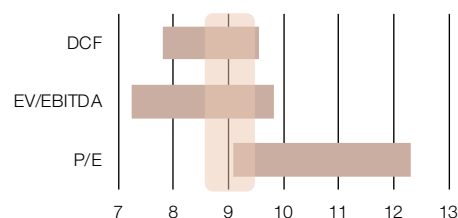
Key Shareholders, as of 30th June 2020

Uldis Iltners	24.08%
Lote Tisenkopfa-Iltnere	23.92%
Oy Transmeri Group AB	23.09%
Zane Tamane	7.61%
Liene Drāzniece	6.83%

12-Month Price Performance



LHV Fair Value Range: EUR 8.60-9.40*



* As of 27th July 2020

line made available for sale, as part of its recently introduced organic make-up line. Considering different sales channels, we believe the Company continues to improve sales on its own e-store platform, with MADARA's resale customers with a strong e-commerce profile also showing solid performance, while the second wave of the COVID-19 pandemic probably hinders the foot traffic in physical stores. During the past couple of years, MADARA made substantial investments into developments of e-commerce channels, and these investments have started to pay off. However, apart from e-commerce, the Company also succeeded to expand the number of resellers (physical stores) in Germany and France during H1 2020, supporting its sales growth. In terms of markets, the Q3 2020 growth was quite broad-based, with the Company's revenues in Latvia rising 40% y-o-y, in other EU countries (excluding Latvia) 54% y-o-y and outside the EU 44% y-o-y, though MADARA did not

disclose specific quarterly sales numbers by markets. In its earlier comments, MADARA has stated that regarding the EU markets, apart from Latvia and Finland, it focuses mostly on expansion in Germany, the Netherlands, the UK, Spain, and France.

Overall, we treat the Company's Q3 2020 sales number as an encouraging sign about MADARA's ability to avoid any major setbacks due to the pandemic situation and successfully pursue its growth strategy with a stronger focus on e-commerce and finding new resellers in the Western Europe countries. The management repeated its 2020 revenue guidance of EUR 15m, saying that the outlook for the last quarter of 2020 remains positive. Considering the nine-month 2020 sales, the Company should have no issues to exceed the guidance. Thus, we are also likely to review our projections for the full-year 2020 revenues for a potential upgrade.

Contacts:**Ivars Bergmanis**

Head of Institutional Markets

Tel: +372 680 2720

Mob: +372 534 11114

ivars.bergmanis@lhv.ee

Sander Danil

Senior Analyst

Tel: +372 680 2793

sander.danil@lhv.ee

Date and time of sign-off: Wednesday 11th Nov, 08:00**Disclaimer**

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The fair value range has been issued for a 12-18 month period and has been derived from a weighted approach combining both DCF valuation and relative multiple comparisons. The relative multiple comparisons further incorporate additional weighting considerations relating to the underlying metrics and time forecast periods. Company specific inputs have been forecast and a list of peer companies has been compiled by the LHV analyst(s) writing this research commentary, whereas the consensus peer data has been obtained from Bloomberg. For more detailed information about the valuation methods please contact the analyst(s) using the contact details provided above.

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- Buy- Expected return of more than 10% within 12-18 months (including dividends)
- Neutral- Expected return from -5% to 10% within 12-18 months (including dividends)
- Sell- Expected return less than -5% within 12-18 months (including dividends)

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